FINAL ANNUAL BUDGET OF

GAMAGARA LOCAL MUNICIPALITY

2018/19 TO 2019/2020

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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- In the foyers of all municipal buildings
- All public libraries within the municipality
- At www.treasury.gov.za
- At www.gamagara.co.za

March 2017

Table of Contents

List of Tables

Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
MM	Municipal Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GDP	Gross domestic product
PGDS	Provincial Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	kilo litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

1.2 Proposed Council Resolutions

On 24 May 2019 the Council of Gamagara Local Municipality met in the Council Chambers of Gamagara Local Municipality to consider the Final Annual budget of the municipality for the financial year 2019/20. The Council tables the following final resolutions:

1. The Council of Gamagara Local Municipality Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) tables:

   1.1. The final annual budget of the municipality for the financial year 2019/20 and the multi-year and single-year capital appropriations as set out in the following tables:
      1.1.1. Budgeted Financial Performance (revenue and expenditure by functional classification)- Table A2;
      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)- Table A3;
      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type)- Table A4; and
      1.1.4. Multi-year and single-year capital appropriations by municipal vote and functional classification and associated funding by source- Table A5.

   1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
      1.2.1. Budgeted Financial Position- Table A6;
      1.2.2. Budgeted Cash Flows- Table A7;
      1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
      1.2.4. Asset management as contained in Table A9; and
      1.2.5. Basic service delivery measurement as contained in Table A10.

2. The Council of Gamagara Local Municipality Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) as amended approves and adopts with effect from 1 July 2019:
   2.1. the final tariffs for property rates – as set out in Annexure A,
   2.2. the final tariffs for electricity – as set out in Annexure A
   2.3. the final tariffs for the supply of water – as set out in Annexure A
   2.4. the final tariffs for sanitation services – as set out in Annexure A
   2.5. That the thirty five percent split of inside water for the determination of sewer charges for single meter users be abolished
   2.6. That all customers be charged for full quantities for waste water
   2.7. the final tariffs for solid waste services – as set out in Annexure A

3. The Council of Gamagara Local Municipality Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) as amended approves and adopts with effect from 1 July 2019 the tariffs for other services, as set out in Annexures A.

4. To give proper effect to the municipality's annual budget, the Council of Gamagara Local Municipality Local Municipality approves:
   4.1. That council notes the following budget related policies and that necessary amendments be made in line with legislation were necessary;

4.1.1. Cost containment policy
4.1.2. Credit control and debt collection policy
4.1.3. That council levies interest on outstanding debtors as outlines in the credit control and debt collection policy with effect from 01 July 2019
4.1.4. Indigent policy
4.1.5. Asset Management, Infrastructure Investment and Funding Policy
4.1.6. Budget policies
4.1.7. Cash management and investment policy
4.1.8. Tariff policy
4.1.9. Property Rates Policy

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed in a strategic session held in February 2019 as part of this year's planning and budget process. A critical review was undertaken of expenditures on noncore and 'nice to have' items in line with the Cost Containment Policy. Key areas where savings are projected are on consultants, telephone and internet usage, printing, workshops, travel, accommodation, and catering.

The municipality further aims on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Data cleansing is ongoing which aims to ensure that the right customer is billed correctly at a meter that belongs to him/her and reduce the number of accounts under dispute. Furthermore, the municipality undertakes to introduce various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circulars were used to guide the compilation of the 2019/20 MTREF.

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from Sedibeng Water and Eskom), which is placing upward pressure on service tariffs to residents.
- As a results of the mining property rates which favored the mines the potential revenue envelope dwindled living the municipality with no choice but to resort to cost reflective tariffs in order to cover the costs of providing basic services; i.e. in order to break even
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2019/20 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:

- The 2018/19 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2018/19 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2019/20 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2018/19 MTREF

R' thousand	Adjustment budget 2018/19	Budget year 2019/20	Budget year +1 2020/21	Budget year +2 2021/22
Total Operating Revenue	321 534	535 380	560 873	601 990
Total Operating Expenditure	512 005	528 542	551 033	608 523
Surplus/deficit	(190 472)	6 839	9 840	12 320
Total Capital Budget	49 675	130 488	262 656	166 281

Total operating revenue has increased by 60 per cent or R 214 million for the 2019/20 financial year when compared to the 2018/19 Adjustments Budget mainly due to the growth of the property values in the general valuation roll. For the two outer years, operational revenue will steadily increase by 4,54 and 0.06 per cent respectively.

Total operating expenditure for the 2019/20 financial year has been appropriated at R528 million and translates into a budgeted surplus of R6,8 million. When compared to the 2018/19 Adjustments Budget, operational expenditure has increased by 3,2 per cent in the 2019/20 budget and steadily increases by 4.25 and 10 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R9, 8 and R12,3 million respectively. The above scenario translate into a funded budget as outlined in A7 Consolidated Budgeted Cash Flow and A8 Consolidated Cashed Backed Reserves/Accumulated Surplus Reconciliation in line with National Treasury's circular 42 Funding a municipal budget. We have made provision to collect outstanding debtors amounting to R44 million to fund the internally funded projects.

Realistic revenues – (S 18) (Circular 42) – The combination of the terms "revenue" and "to be collected" is supporting the assertion that the full amount of accrued revenue is disclosed in the

Financial Performance budget and cash be “realistically collected”. The term “realistically anticipated” requires the budget to take into consideration previous years performance, and the likelihood of whether all revenue sources will be realized. If there are expected improvements planned, these must be supported by changes in policies and/or practices that are proven to deliver the proposed benefits. Such improvements must be estimated conservatively with a view that all promised gains may not result in additional or increased collections immediately.

The term “to be collected” does not just refer to the current year’s revenue. It requires a forecast of monies to be collected relating to revenue from both the current Financial Performance budget and a forecast of monies to be collected from previous years revenues (e.g. collections from debtors in areas based on historical performance). These forecasts should be included in the Cash Flow budget and be tracked separately to aid with preparation of annual and monthly cash flow forecasts. Monthly revenue projections (SDBIP) should be reconciled to the monthly cash flow forecasts to account for the differences in collection and timing assumptions.

The capital budget of R130 million for 2019/20 is 61 per cent more when compared to the 2018/19 Adjustment Budget of R49 675 million. The capital programme Increases to R262 million in the 2020/21 financial year and decreases to 166 million in 2021/22. A substantial portion of the capital budget will be funded from National grant over the MTREF with anticipated funding of R100 million, 125 million and 123 million in each of the financial years of the MTREF. Internally generated funds is the second largest source of funding amounting to R30 million, 137 million and 42 million in each of the financial years of the MTREF.

1.4 Operating Revenue Framework

For Gamagara Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality’s revenue strategy is built around the following key components:

- National Treasury’s guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality’s Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) as amended;
- Increase ability to extend new services and recover costs;
- The municipality’s Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2018/19 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source (MTREF)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source											
Property rates	2	415 597	441 057	36 008	55 188	56 810	56 810	–	135 926	145 577	156 495
Service charges - electricity revenue	2	129 775	122 979	121 164	131 156	132 833	132 833	–	162 687	174 238	187 306
Service charges - water revenue	2	51 691	48 855	8 687	69 925	37 098	37 098	–	75 899	81 288	87 385
Service charges - sanitation revenue	2	21 569	28 809	4 279	35 333	11 235	11 235	–	36 742	39 351	42 302
Service charges - refuse revenue	2	18 300	19 330	21 404	25 061	26 583	26 583	–	24 552	26 295	28 267
Rental of facilities and equipment		349	945	469	466	466	466		466	499	536
Interest earned - external investments		266	248		–	–	–				
Interest earned - outstanding debtors		–	–		–	–	–		22 000	22 000	22 000
Dividends received		–	–		–	–	–				
Fines, penalties and forfeits		683	384	243	215	215	215		225	241	259
Licences and permits		532	517	490	310	984	984		300	321	345
Agency services		2 598	2 395	5 184	2 136	5 418	5 418		2 136	2 288	2 459
Transfers and subsidies		27 024	28 920	33 170	37 069	33 669	33 669		39 224	43 843	49 773
Other revenue	2	1 585	3 357	3 749	4 223	4 223	4 223	–	15 223	14 523	14 862
Gains on disposal of PPE		(102)	(441)		20 000	12 000	12 000		20 000	10 000	10 000
Total Revenue (excluding capital transfers and contributions)		669 866	697 357	234 848	381 081	321 534	321 534	–	535 380	560 464	601 990

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2019/20 financial year, revenue from rates and services charges totaled R435 million or 81 per cent and this increases to R467 million and R502 million respectively in each financial years of the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Government grants is the second largest revenue source totaling 7 per cent or R39 million rand and increases to R43 million and R49 million by 2020/21 and 2021/22 respectively. The third largest sources is gains on disposal of PPE amounting to R20 million which entails mainly the sale of land.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Transfers and Grant Receipts

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funded by:											
National Government		9,462	19,911	53,195	74,570	48,233	48,233		99,102	125,151	123,810
Provincial Government		17,140		676	912	912	912		912		
District Municipality		–					–				
Other transfers and grants		4,680									
Transfers recognised - capital	4	31,282	19,911	53,871	75,482	49,145	49,145	–	100,014	125,151	123,810
Borrowing	6										
Internally generated funds		36,494	48,889	11,446		530	530		30,474	137,505	42,471
Total Capital Funding	7	67,776	68,801	65,316	75,482	49,675	49,675	–	130,488	262,656	166,281

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6,8 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. It must further be noted that our tariffs were never fully cost reflective as the anticipated revenue from the Property rates was allowing the municipality to discount the costs of trading services from the consumers. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative

Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- 100 per cent rebate will be granted to churches in terms of the rates Policy;
- 100 per cent rebate will be granted to public service infrastructure such as roads and rail ways;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 20 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant’s account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2019/20 financial year based on a 10 per cent increase from 1 July 2019 is contained below:

Table 4 Comparison of proposed rates to be levied for the 2018/19 financial year

Category	Current Tariff (1 July 2018)	Proposed tariff (from 1 July 2019)
Properties	C	C
Residential	0.01088078	0.01160979
Industrial	0.01907555	0.02035361
Business and commercial	0.0221354	0.02361847
Agricultural	0.00029985	0.00031994
State Owned	0.01106824	0.01180981
Education	0.01106824	0.01180981
Mining	0.0221354	0.02361847

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;

- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

Gamagara local municipality has undertaken a critical assessment of its input costs to determine if the current revenue as per the audited financial statements is enough to cover all input costs of providing the basic level of service.

A tariff increase of 10 per cent from 1 July 2019 for portable water and untreated water is proposed respectively. This is based on input cost assumptions of R63 million including the cost of bulk water (Sedibeng Water) and non-cash items (Depreciation and Debt impairment), and no surplus generated on the water service. In addition 6 kℓ water per 30-day period will again be granted free of charge to only indigents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

A dual system, for the supply of potable water (indoor) and untreated or outdoor water exist in Kathu, as a result we have a twofold approach to charges in the step tariff structure below:

CATEGORY	CURRENT TARIFFS 2018/19	PROPOSED TARIFFS 2019/20
	Rand per kℓ	Rand per kℓ
Portable		
(i) 001 to 00006 kℓ per 30-day period	13.71	15.08
(iii) 007 to 00012kℓ per 30-day period	16.65	18.32
(iv) 013 to 00035kℓ per 30-day period	22.18	24.39
(v) 036 to 99999kℓ per 30-day period	26.35	28.99
RAW/UNTREATED		
(i) 001 to 00200 kℓ per 30-day period	8.54	9.39
(ii) 201 to 00300kℓ per 30-day period	10.43	12.52
(iii) 301 to 00400kℓ per 30-day period	16.51	18.16
(iv) 401 to 99999kℓ per 30-day period	23.12	25.43

The tariff structure of the 2019/20 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R28.99 per kilo liter for consumption in excess of 36kℓ per 30 day period.

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 6 Comparison between current water charges and increases (Domestic)

Monthly consumption kℓ	Current amount Payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
6	82.25	90.48	8.23	10%
20	443.69	488.06	44.37	
40	1 053.81	1 159.19	105.38	
50	1317.26	1 448.99	131.73	
80	2 107.62	2 318.38	210.76	
100	2 634.52	2 897.97	263.45	

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1.4.3 Sale of Electricity and Impact of Tariff Increases

A 9 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2019 as per Nersas guidelines.
Registered indigents will again be granted 50 kWh per 30-day period free of charge. The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

1. Domestic - Customers (Single & Three Phase)				
Tariff name		2018/19 Current	2019/20 Proposed	% Increase
Domestic Prepaid Meters - c/kWh Block 1. (0-50kWh)		92.74	104.86	**13.07%**
Block 2. (51-350kWh)		117.64	133.02	
Block 3. (351-600kWh)		168.21	190.19	
Block 4. (>600kWh)		197.83	223.69	
Domestic Conventional Meters – c/kWh Block 1. (0-50kWh)		92,23	104.28	
Block 2. (51-350kWh)		117.87	133.28	
Block 3. (351-600kWh)		160.83	181.85	
Block 4. (>600kWh)		176.33	199.38	
Basic Charge (R/Month)		**138.35**	**156.43**	
Tariff name				
Commercial Prepaid (Single phase) - Energy charge (c/kWh)		195.39	220.93	
Commercial Prepaid (Three phase) - Energy charge (c/kWh)		195.85	221.45	
Commercial Conventional (Single phase) - Energy charge (c/kWh)		176.93	200.05	
- Basic charge (R/month)		284.23	321.38	
Commercial Conventional below 100A (Three phase) - Energy charge (c/kWh		160.49	181.47	
- Basic charge (R/month)		418.20	472.86	
Government schools over 100A (Three phase) - Energy charge (c/kWh		160.49	181.47	
- Basic charge (R/month)		418.20	472.86	
Agricultural Conventional below 100A T/P - Energy charge (c/kWh)		160.49	181.47	
- Basic charge (R/month)		**418.20**	**472.86**	
- Demand charge (R/kVA)				
Industrial/ Commercial/ Agricultural over 100A T/P - Energy charge (c/kWh)		130.61	147.68	
- Basic charge (R/month)		**418.20**	**472.86**	
- Demand charge (R/kVA)		**138.35**	**156.43**	

Table 7 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Current amount Payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
100	105.19	118.94	13.75	13.07%
250	281.64	318.45	36.81	
500	626.30	708.16	81.86	
750	1091.26	1233.89	142.63	
1 000	1585.84	1793.11	207.27	
2 000	3564.17	4030.00	465.83	

It should further be noted that Gamagara municipality applies a stepped tariff structure/inclining block tariff. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the municipality.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply. Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. As part of the 2019/20 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 10 per cent for sanitation from 1 July 2019 is proposed. This is based on the input cost assumptions of R36 million. It should be noted that electricity costs contributes approximately 20 per cent of wastewater treatment input costs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- Owing to the scarcity of water in the Vaal River and Gamagara Municipality in particular and the fact that we are the highest consumers of water in the country it is proposed that we charge 100 per cent indoor(potable) water consumption tariff per kilo litre and include the basic charge to the tariff calculation.

Table 8 Comparison between current sanitation charges and increases

The following table shows the impact of the proposed increases in sanitation tariffs on the

	R 2017/18	R 2018/19
Sewer	7.99	8.53
Basic charge	87.74	93.62
Availability charge (empty erven with services)	376.99	402.25
Availability charge (erven with a structure)	76.15	81.25
Vacuum tank – 5000 liter/or part thereof: Non Resident	333.61	355.96
Connection charges (new erven)	1 333.65	1 423
Disposal of sewer at WWTW/10 000l	1461.53	1 559.45

Table 9 Comparison between current sanitation charges and increases, single dwelling-houses

Monthly consumption kℓ	Current amount Payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
6	138.84	152.734	13.89	10%
20	180.28	198.31	18.02	
40	235.66	259.23	23.57	
50	263.90	290.29	26.39	
80	347.52	382.27	34.75	
100	402.91	443.20	40.29	

1.4.5 Waste Removal and Impact of Tariff Increases

A 10 per cent increase in the waste removal tariff is proposed from 1 July 2019:

The following table compares current and proposed amounts payable from 1 July 2019:

Table 10 Comparison between current waste removal fees and increases

	Current Tariffs 2018/19 R per Month	Proposed Tariffs 2019/20 R per month
Garden Refuse (Load)	341	375.10
Private Development Household Refuse	149.89	164.88
Building Rubble (load)	1 370.53	1 507.58
Guest houses and Tuckshops	383.36	421.69
Household refuse (1Xweekly)	234.58	258.04
Business refuse (only food premises 3 x weekly)	1 811.45	1992.59
General business refuse (2xweekly)	725.45	797.99
Special Refuse		
48 Premises x 1 bin each per removal	262.81	289.09
Garden Refuse	363.81	400.19
Building Rubble	1 461.76	1 607.94
Special occasion	611.42	672.56

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2019/20 budget and MTREF (classified per main type of operating expenditure):

Table 12 Summary of operating expenditure by type (MTREF figures)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type											
Employee related costs	2	113,607	118,738	131,411	151,434	152,203	–	–	167,348	179,230	192,672
Remuneration of councillors		2,932	3,540	5,109	4,780	6,274			5,664	6,067	6,522
Debt impairment	3	403,645	434,576	(10,496)	13,884	13,884			10,496	11,241	12,084
Depreciation & asset impairment	2	58,960	54,060	42,360	54,060	54,060	–	–	42,050	45,035	48,413
Finance charges		3,923	10,953	12,636	3,085	17,849			10,454	11,196	12,035
Bulk purchases	2	109,899	115,923	128,659	138,258	138,258	–	–	150,665	161,362	173,464
Other materials	8	13,518	15,212	12,459	13,939	12,242			35,854	38,400	41,280
Contracted services		17,237	8,588	54,090	45,536	52,853	–	–	47,125	50,471	54,256
Transfers and subsidies		4,088	2,254	5,382	–	–	–	–	–	–	–
Other expenditure	4, 5	55,972	65,661	30,737	70,978	64,383	–	–	58,886	63,067	67,797
Loss on disposal of PPE				2,211							
Total Expenditure		783,780	829,505	414,558	495,955	512,005	–	–	528,542	566,068	608,523

The budgeted allocation for employee related costs for the 2019/20 financial year totals R167 million, which equals 32 per cent of the total operating expenditure.

SALGA and Trade Unions (IMATU and SAMWU) in implementing The *Salary and Wage Collective Agreement* for the period 1 July 2019 agreed to a 6,5 percent increase, which has been factored in the increase of salaries.

The latest gazette on the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998) which increased the remuneration of councilors was considered during the preparation of this budget.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the Municipality. For the 2018/19 financial year this amount equates to R10 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R42 million for the 2018/19 financial year and equates to 8 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 8 per cent or (R10 million) of operating expenditure excluding annual redemption for 2017/18.

Bulk purchases amounts to R150 million or 29 per cent of the total operating expenditure and are directly informed by the purchase of Electricity from Eskom and water from Sedibeng Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials and expenditure comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. Other expenditure comprises of various line items relating to the daily operations of the municipality. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the Municipality's infrastructure.

Figure 1 Main operational expenditure categories for the 2018/19 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2018/19 budget and MTREF provide for extensive growth in the area of asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 3 000 or more indigent households during the 2018/19 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement). The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2018/19 Medium-term capital budget per vote

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury Office		–	–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	–	–	–
Vote 4 - Community Service		–	45	–	–	–	–	–	–	–	–
Vote 5 - Infrastucture Services		–	17,488	25,839	55,300	28,963	28,963	–	75,603	262,656	166,281
Vote 6 - Strategic Services		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	–	17,533	25,839	55,300	28,963	28,963	–	75,603	262,656	166,281
Single-year expenditure *to be appropriated*	2										
Vote 1 - Executive & Council		–	–	–	–	–	–	–	10	–	–
Vote 2 - Budget & Treasury Office		276	60	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		556	43,325	–	–	–	–	–	7,653	–	–
Vote 4 - Community Service		260	1,345	–	2,147	2,147	2,147	–	4,155	–	–
Vote 5 - Infrastucture Services		62,995	4,577	39,477	18,035	18,565	18,565	–	43,067	–	–
Vote 6 - Strategic Services		3,689	1,962	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		67,776	51,268	39,477	20,182	20,712	20,712	–	54,885	–	–
Total Capital Expenditure - Vote		67,776	68,801	65,316	75,482	49,675	49,675	–	130,488	262,656	166,281
Capital Expenditure - Functional											
Governance and administration		3,409	43,384	–	–	–	–	–	7,663	–	–
Executive and council									10		
Finance and administration		3,409	43,384						7,653		
Internal audit											
Community and public safety		2,882	3,351	–	2,147	2,147	2,147	–	2,863	–	–
Community and social services		–	45		912	912	912		912		
Sport and recreation		–	1,345		1,235	1,235	1,235		1,951		
Public safety		–									
Housing		2,882	1,962								
Health											
Economic and environmental services		14,019	1,869	–	–	–	–	–	330	–	–
Planning and development											
Road transport		14,019	1,869						330		
Environmental protection											
Trading services		47,467	20,197	65,316	73,335	47,528	47,528	–	119,632	262,656	166,281
Energy sources		10,774	6,411	17,475	18,035	18,035	18,035		40,725	190,015	102,025
Water management		21,951	1,559	34,756	41,587	15,780	15,780		67,409	31,000	51,395
Waste water management		14,742	12,226	13,086	13,713	13,713	13,713		10,398	41,641	12,861
Waste management							–		1,100	–	–
Other											
Total Capital Expenditure - Functional	3	67,776	68,801	65,316	75,482	49,675	49,675	–	130,488	262,656	166,281
Funded by:											
National Government		9,462	19,911	53,195	74,570	48,233	48,233		99,102	125,151	123,810
Provincial Government		17,140		676	912	912	912		912		
District Municipality		–					–				
Other transfers and grants		4,680									
Transfers recognised - capital	4	31,282	19,911	53,871	75,482	49,145	49,145	–	100,014	125,151	123,810
Borrowing	6										
Internally generated funds		36,494	48,889	11,446		530	530		30,474	137,505	42,471
Total Capital Funding	7	67,776	68,801	65,316	75,482	49,675	49,675	–	130,488	262,656	166,281

For 2019/20 an amount of R75 million has been appropriated for the development of infrastructure which represents 55 per cent of the total capital budget. Governance is the second biggest capital appropriation with an allocation of R7,6 million followed by Community Services with an allocation of R2,9 million. Please refer to table A5 and supporting table SA36 on the detail of the capital budget.

1.7 Annual Budget Tables - Parent Municipality

The attached bound budget document present the ten main budget tables and supporting tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF as presented to the Council. Each table is accompanied by *explanatory notes* on the facing page.

Part 2 – Supporting Documentation

2.1. Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of Mayor.

The primary aims of the Budget Steering Committee is to ensure:
- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1. Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2016) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 31 August 2018. Key dates applicable to the process were:

- **August 2018** – Joint strategic planning session of the Council and Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2018/19 MTREF;
- **September 2018 –** tariff settings/amendments and addtions and revision of strategies and objectives
- **October 2018** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **November/December 2018** – Finalise draft operating and capital budget – 15 December
- **January 2019 -** Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations; submit mid-year budget and performance assessment and tabling of the annual report
- **February 2019** – Multi-year budget proposals are submitted to the budget steering committee for endorsement; and tabling of the adjustment budget
- **March 2019 -** Tabling in Council of the draftl IDP/budget and for public consultation;

- **April 2019** – Public consultation;
- **May 2019** - Closing date for written comments; approval of the final IDP and MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **June 2019** – approved budget submitted to stakeholders and approval of the service delivery and budget implementation plan

2.1.2. IDP and Service Delivery and Budget Implementation Plan

This is the third review of the IDP as tabled by Council in March 2019. It started in September 2018 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2019/20 MTREF in August 2018.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2019/20 MTREF, based on the approved 2018/19 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2019/20 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2018/19 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3. Financial Modelling and Key Planning Drivers

As part of the compilation of the 2019/20 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2019/20 MTREF:

- Municipality's growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends

- The approved 2018/19 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars has been taken into consideration in the planning and prioritisation process.

2.1.4. Community Consultation

The draft 2019/20 MTREF as tabled before Council on 27 March 2019 went through community consultations across all wards and was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries inviting inputs from stakeholders. The inputs were then discussed in the budget steering committee consisting of councillors and senior managers.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward councillors and ward committees facilitated the community consultation process. The applicable dates and venues were published in the local newspaper. Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were assessed, and where relevant considered in the final 2019/20 MTREF.

2.2. Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.2.1. Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council should be reviewed. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the revisions include the deduction of outstanding debtors from prepaid purchases. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2019/20 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, a payment incentive scheme is proposed for debt older than 90 days. Furthermore, interest will be levied on accounts that remain outstanding after payment due date, i.e. 08th of each month.

2.2.2. Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.2.3. Budget Adjustment Policy

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.2.4. Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy as approved by Council needs to be reviewed to cater for the requirements of the Municipal Standard Chart of Accounts.

2.2.5. Cash Management and Investment Policy

Owing to this tough economic times the municipality's Cash Management and Investment Policy needs to be reviewed to take cognisance of the current market trends. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.2.6. Tariff Policies

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The current policy will be reviewed to incorporate various tariff policies into one document.

2.2.7. Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy will directly inform the compilation of the 2018/19 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes will be taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2018/19 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

2.2.8. Property Rates Policy

Owing to the recent Valuation Appeal Board outcome there has been a number of court rulings that shaped the valuation process and the valuation methodology that needs to be factored in the Property rates policy. Among others the differentiation of agricultural land from mining and the categorization as such. As well as the amended Property Rates Act.

Furthermore, no more rebates will be provided to schools and hospitals including government schools. No rebates to small holdings and farming community.

2.3. Legislation compliance status

Compliance with the MFMA implementation requirements have not been substantially adhered to through the following activities:

1. In year reporting
   Reporting to National Treasury in electronic format has been fully complied with on a monthly basis and the system challenges which hindered our ability to generate the reports from the system has been resolved. Section 71 reporting to the council (within 10 working days) has considerably improved as a results of the above.

2. Internship programme
   The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office
   The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee
   The municipality does not have an Audit Committee as we owe the John Taolo Gaetsewe District Municipality and they have since suspended the shared service.

5. Service Delivery and Implementation Plan
   The detail SDBIP document is at a final stage and will be finaled after approval of the 2019/20 MTREF in May 2019 directly aligned and informed by the 2019/20 MTREF.

6. Annual Report
   Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training
   Various officials and councilors are enrolled at various institutions to capacitate themselves for the benefit of ensuring compliance to the applicable legislation.

8. Policies
   All budget related policies due for review will be presented in the policy workshop in April 2019 and will; were necessary, be taken through the public participation process. Thereafter all budget related by-laws will be gazetted after approval by council.

2.4. Municipal manager's quality certificate

I, Kgomodikae Protea Leserwane, Municipal manager of Gamagara Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Kgomodikae Protea Leserwane

Municipal manager of Gamagara Local Municipality (NC453)

Signature ____

Date 24 May 2019

A1 SCHEDULE MSCOA VERSION 6.3 2019/20

ANNEXURE A.

SERVICES TARIFFS 2018/19

ANNEXURE B.

SCHEDULE OF SERVICE DELIVERY STANDARDS 2019/20